

**UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE**

NTL 98-18N (Addendum 1)

Effective Date: September 12, 2000

**NOTICE TO LESSEES AND OPERATORS OF FEDERAL OIL AND GAS AND SULPHUR
LEASES IN THE OUTER CONTINENTAL SHELF**

Additional Guidance for Third-Party Guarantees

On December 28, 1998, MMS issued NTL 98-18N containing guidelines for meeting regulatory requirements for supplemental bonds. This addendum provides further guidelines for instances when a lessee submits a third-party guarantee instead of a bond.

Section 8(a)(1) of NTL 98-18N specified that a company providing a third-party guarantee should be qualified to hold a lease on the OCS. MMS regulations require that a potential third-party guarantor provide certain information to MMS. Becoming qualified as a lessee provides MMS with some of that needed information. Companies wishing to be a guarantor may continue to become qualified as a lessee. However, companies may also provide the needed information without becoming qualified as a lessee.

A lessee may submit a third-party guarantee for a specific lease or for all of the lessee's leases in an area. If MMS determines that the submission meets all applicable requirements and properly demonstrates the financial strength of the guarantor, MMS will accept the guarantee instead of a supplemental bond either for a specific lease or for all of the lessee's leases in an area. The appendix to this addendum provides a model document for a third-party indemnity agreement.

Use the following contacts for further information:

For Alaska OCS, Tom Warren, (907) 271-6691

For Gulf of Mexico OCS or Atlantic OCS, Jim Haddox, (504) 736-5703

For Pacific OCS, Frederick L. White, (805) 389-7830

Paperwork Reduction Act of 1995 Statement: The information collection provisions referred to in this NTL provide clarification, description, or interpretation of requirements in 30 CFR part 256. The Office of Management and Budget (OMB) approved the information collection requirements of these regulations and assigned OMB control number 1010-0006. This notice does not impose additional information collection requirements subject to the Paperwork Reduction Act of 1995.

This NTL is also on the MMS worldwide website at <http://www.mms.gov>

9/12/2000

Dated:

Carolita U. Kallaur

Carolita U. Kallaur
Associate Director for
Offshore Minerals Management

APPENDIX A

MODEL DOCUMENT FOR THIRD-PARTY GUARANTEES

The MMS developed the following model third-party indemnity agreement. Executing this document will meet the requirements of 30 CFR 256.57 for a third-party guarantee. You may execute this document or you may modify the document. If you choose to modify this document MMS will review your modifications and will allow you to use the modified document if MMS determines that the modified document meets all of the requirements of 30 CFR 256.57.

THIRD-PARTY INDEMNITY AGREEMENT

This THIRD-PARTY INDEMNITY AGREEMENT, made and entered into this (day) day of (month), (year), by (Guarantor Company Name), MMS Company Number (#), (Guarantor) for the benefit of the MINERALS MANAGEMENT SERVICE of the UNITED STATES DEPARTMENT OF THE INTERIOR (MMS) provides for the following:

I. By signing this document, the undersigned attests to the following:

A. If a party to this agreement is a corporation, it is incorporated and in good standing under the laws of the State of (State) and has all corporate power, authorizations, consents, and approvals required to carry on its business as is now conducted and to enter into this agreement.

B. If a party to this agreement is a corporation, the undersigned include corporate officers who are authorized to bind the corporation.

C. The undersigned are authorized to execute, deliver, and perform under the terms of this agreement on behalf of any non-corporate guarantor.

D. This agreement does not contravene or constitute a default under any provisions of applicable law or regulation or of its charter, certificate of incorporation or bylaws or any agreement, judgment, injunction, order, decree or other instrument to which it may be subject.

II. The Guarantor agrees to the following provisions

A. The Guarantor will punctually satisfy (check one)

- ☐ the performance and compliance by (Name of Indemnified Company), MMS Company Number , (Indemnified company) with the terms and conditions of the lease and governing Federal regulations for all leases in the OCS Region for which the indemnified company has a lease interest or an operating interest.
- ☐ the performance and compliance by (Name of Indemnified Company), MMS Company Number , (Indemnified company), with the terms and conditions of the lease and governing Federal regulations for lease number .
- ☐ the performance and compliance by (Name of Indemnified Company), MMS Company Number , (Indemnified company) with the terms and conditions of the lease and governing Federal regulations for lease number for an amount not to exceed .

B. If MMS notifies the Guarantor that the indemnified company, the indemnified company's operator, or an operating rights owner has failed to comply with any lease term or regulation, the Guarantor will:

- (1) not challenge the determination , and
- (2) either:
 - i) Take corrective action to bring the lease into compliance within the time period specified by MMS, or
 - ii) Provide within 7 calendar days, sufficient funds to permit the MMS Regional Director to complete corrective action.

C. When a Guarantor complies with this agreement by correcting a problem or paying for a third party or for MMS to correct a problem, that compliance will not reduce the Guarantor's liability for remaining obligations.

D. If this agreement is terminated, the Guarantor will remain liable for all work and workmanship performed and liabilities that accrued during the period that this Third-Party Guarantee was in effect until such time that the indemnified company provides alternate security for the obligation and MMS releases the Guarantor from further liability.

E. If the Guarantor wishes to terminate the period of liability under this guarantee, the Guarantor must:

- (1) Notify the indemnified company and the MMS Regional Director at least 90 days before the proposed termination date,
- (2) Obtain the MMS Regional Director's approval for the termination of the period of liability for all or a specified portion of the Guarantor's Guarantee, and
- (3) Remain liable for all work and workmanship performed and liabilities that accrued during the period that this Third-Party Guarantee was in effect until such time that the indemnified company provides a replacement bond assuming all outstanding liabilities and in an amount no less than the guarantee herein and MMS releases the Guarantor from further liability.

F. If a party to this agreement is a partnership, joint venture, or syndicate, the Indemnity Agreement binds each partner or party who has a beneficial interest in the Guarantor.

G. Each party who is a guarantor under this agreement agrees to be bound jointly and severally for the undertakings herein.

IV. If during the life of the third-party guarantee, the guarantor no longer meets the criteria established in 30 CFR 256.57(a)(3) and 30 CFR 256.57(c)(3), the guarantor and the indemnified company will notify the MMS Regional Director immediately.

GUARANTOR

(Affix Corporate Seal)

(company name)
GUARANTOR

(signature)
CORPORATE OFFICIAL

(signature)
CORPORATE OFFICIAL

(typed signer's name)
TYPED NAME

(typed signer's name)
TYPED NAME

(typed signer's title)
TYPED TITLE

(typed signer's title)
TYPED TITLE

Witness my hand and notary seal this (day) day of (month), (year).

(Affix Notary Seal)

(signature)
NOTARY PUBLIC NAME

INDEMNIFIED COMPANY

(Affix Corporate Seal)

(company name)
INDEMNITOR

(signature)
CORPORATE OFFICIAL

(signature)
CORPORATE OFFICIAL

(typed signer's name)
TYPED NAME

(typed signer's name)
TYPED NAME

(typed signer's title)
TYPED TITLE

(typed signer's title)
TYPED TITLE

Witness my hand and notary seal this (day) day of (month), (year).

(Affix Notary Seal)

(signature)
NOTARY PUBLIC NAME